

SOUTHERN DELIVERY SYSTEM

MONTHLY REPORT



The Southern Delivery System (SDS) is a regional project to bring water from Pueblo Reservoir on the Arkansas River to Colorado Springs, the City of Fountain, Security Water District, and Pueblo West Metropolitan District. Phase 1 of this multi-phase project includes all of the components necessary to begin delivering water to the partner communities by April 2016. This report summarizes accomplishments from the start of construction through April 2016 and key performance details for Phase 1.

20 Years in the Making - SDS Starts Water Delivery

On April 28, 2016, the Southern Delivery System began commercial operations delivering water to homes and businesses in Colorado Springs. SDS was originally identified in the City of Colorado Springs' 1996 Water Resource Plan as necessary to meet future demand. This milestone culminates decades of planning and nearly six years of construction. "The Southern Delivery System is a critical water project that will enable the continued quality of life southern Coloradans enjoy. The water provided through SDS means future economic growth for our community and region," said Jerry Forte, Chief Executive Officer (CEO) of Colorado Springs Utilities. Not only does SDS meet the immediate and future water needs of Colorado Springs and its project partners through 2040, it also increases system reliability as other parts of the water system need maintenance or repairs. The project will also help provide drought protection, a significant benefit in the arid west. Construction began in 2010 and concluded in 2016. Originally forecast to cost just under \$1 billion, SDS began commercial operation on time and more than \$160 million under budget, costing \$825 million. "On time and under budget are words rarely used to describe large infrastructure projects," said John Fredell, SDS Program Director. "We adopted a philosophy that 'these are ratepayer dollars' and managed the project with exceptional rigor. It was the responsible approach to spending hundreds of millions of dollars of public money."



CEO Jerry Forte, Mayor John Suthers, Utilities Board Chair Andy Pico, and Council President Merv Bennett release the first SDS water

SDS Water Treatment Plant Named for Edward W. Bailey



Ed and Thelda Bailey

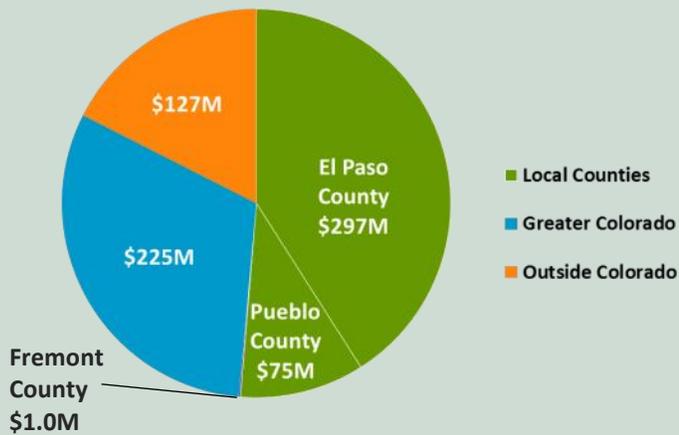
The new SDS water treatment plant was officially named the Edward W. Bailey Water Treatment Plant on April 14, 2016 at a ceremony attended by more than 100 people. During the ceremony, Jerry Forte stated, "This is a momentous day, naming the new water treatment plant after a man who worked tirelessly during his 34-year career at Colorado Springs Utilities to make sure that our community had clean, abundant water for years to come." In attendance to honor Bailey were his wife, Thelda, and their family and friends, members of the Colorado Springs City Council, staff of Colorado Springs Utilities, and retirees from the organization who worked during their careers to ensure the community has adequate water supply. The new water treatment facility will be Colorado Springs Utilities' sixth

operating water treatment plant. The estimated cost for constructing the plant was initially \$190 million. Through value engineering, innovative analyses, and a progressive delivery method, SDS was able to achieve a final guaranteed maximum price of \$124.6 million—34 percent lower than the initial, concept design level construction cost estimate. At the event, Ed Bailey expressed his gratitude for the support and accomplishments of others. "I am here because of all of you. This plant is here because of our people's needs for water, and this plant exists because of all the people who contributed to its existence. Thank you, thank you, thank you."

SDS Local Spending and Business Involvement through March 2016

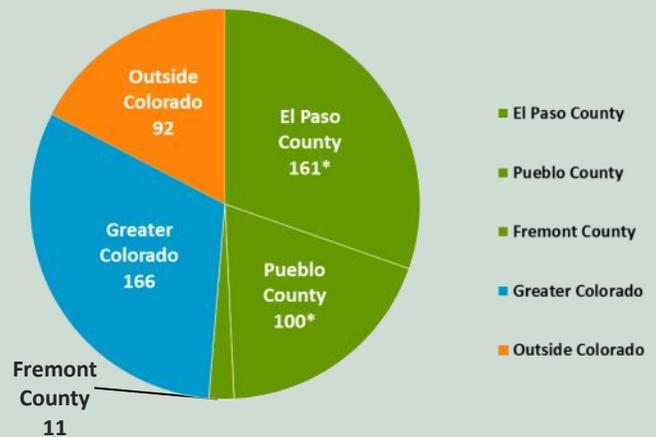
The charts below summarize some of the economic benefits of SDS to the region. Of the \$725 million spent through March 2016, \$598 million benefitted Colorado and \$373 million benefitted the counties of Pueblo, El Paso, and Fremont. An additional \$225 million benefitted other counties within Colorado. To date, approximately 530 businesses and organizations have supported work on SDS, with 272 coming from the counties of Pueblo, El Paso, and Fremont and 166 coming from other counties within Colorado. Of those, about 40 businesses and organizations are active in multiple locations that primarily benefit Pueblo and El Paso counties.

Distribution of SDS Expenditures



[Link to Local Businesses Supporting SDS](#)

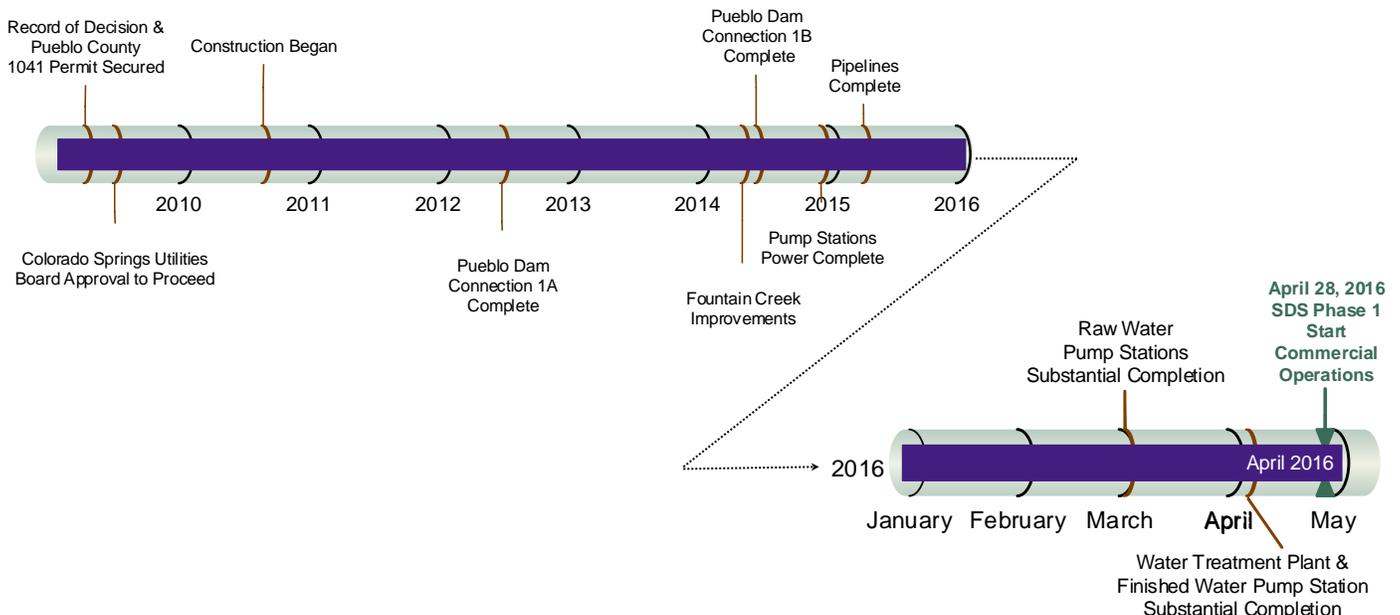
Distribution of Businesses/Organizations Supporting SDS



*Pueblo/El Paso County & Other Businesses Operating in Multiple Locations

Schedule Summary

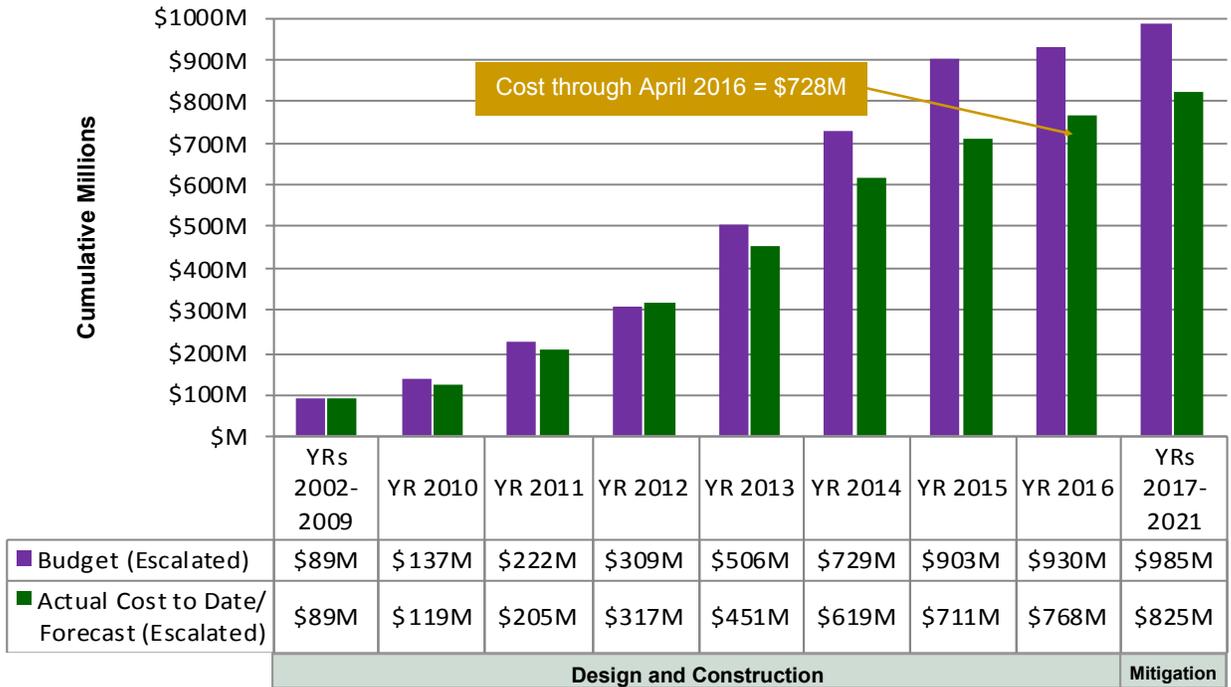
The timeline below summarizes the completion schedule for Phase 1 of the SDS. Colorado Springs Utilities anticipates completing Phase 1 as planned. Commercial operation of SDS began on April 28, 2016.



Cost Summary

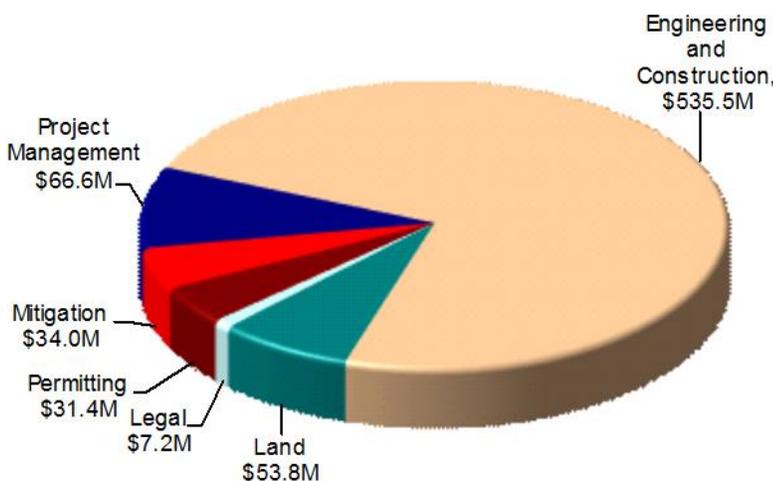
Figure 1 shows the budget for Phase 1, actual costs through April 2016, and forecasted costs for Phase 1. **Figure 2** shows the distribution of the actual costs. Key financial details are summarized below. The budget used to measure progress was established by the Colorado Springs Utilities Board in July 2009 and is \$880 million in April 2009 dollars. Accounting for actual and currently projected escalation in the cost of labor, materials, and equipment, the same 2009 budget equates to \$985 million after all direct project costs (including mitigation) are paid through 2021.

Figure 1 – Phase 1 Budget Progress – Actual Costs through April 2016



Design and construction \$ values include actual and projected cost escalation as measured by Engineering News-Record's national Construction Cost Index. Monetary mitigation payment \$ values (2017 through 2021) include cost escalation as measured by the U.S. Bureau of Labor Statistics Producer Price Index for finished goods. Periodic index forecasts by IHS Global Insight applied.

Figure 2 – Distribution of Phase 1 Direct Costs through April 2016 (\$728M Total)



Key Financial Details

- The budget for Phase 1 is \$985 million, including actual and projected escalation, while the current cost forecast is \$825 million. The project is currently forecasting completion approximately \$160 million below budget. These anticipated savings are reflected in current water rates and plans for bond issuance.
- Cumulative actual costs to date are \$728 million, with a majority expended on engineering and construction, permitting, land, and management activities.
- Forecasted costs for 2016 are \$57 million with a cumulative expenditure of \$768 million by the end of 2016.

Figure 4 – Phase 1 Projects Status Map



Visit www.SDSwater.org for additional information.

9 Finished Water Pipeline (FW)

Complete: FW1A, FW1B, FW3 (Garney Construction)
Focus: Maintenance

8 SDS Water Treatment Plant (WTP) and Finished Water Pump Station (FWPS)

Ongoing: McCarthy Building Companies is finalizing construction of the WTP and FWPS located at Marksheffel Rd. and U.S. Highway 24.
Focus: Naming ceremony, achievement of Substantial Completion, beginning commercial operations and delivery of water to customers, and continuing completion of final work items and preparation for Final Completion

7 North Pipeline (N)

Complete: S4B/N1A/N1B (HCP Constructors), N1C/N2A (Layne Heavy Civil), N2B (Garney Construction)
Focus: Maintenance

6 Upper Williams Creek Reservoir (UWCR)

Ongoing: UWCR is a 30,500 acre-foot raw water storage reservoir that will be developed as part of SDS Phase 2 and will be located near Bradley Pump Station.
Focus: Acquiring remaining land parcels

5 Bradley Pump Station (BPS)

Ongoing: Archer Western Construction is finalizing construction of BPS located in the city of Colorado Springs approximately ¼ mile south of Bradley Rd. and 1.5 miles east of Marksheffel Rd.
Focus: Finalizing punch list items and completing administrative closeout activities in preparation for Final Completion

4 Williams Creek Pump Station (WCPS)

Ongoing: Archer Western Construction is finalizing construction of WCPS located in El Paso County 6 miles south of Squirrel Creek Rd. and 5 miles east of Interstate 25.
Focus: Finalizing punch list items and completing administrative closeout activities in preparation for Final Completion

3 South Pipeline (S)

Complete: S1 (HCP Constructors), S2 (Garney Construction), S3 (Layne Heavy Civil), S4A East/West and S4A Central (Garney Construction)
Focus: Maintenance

2 Juniper Pump Station (JPS)

Ongoing: Archer Western Construction is finalizing construction of JPS located in Lake Pueblo State Park near Pueblo Dam.
Focus: Finalizing punch list items and completing administrative closeout activities in preparation for Final Completion

1 Pueblo Dam Connection (PDC)

Complete: PDC1A (ASI Constructors)
Ongoing: Garney Construction is finalizing closeout of PDC1B – a 0.3-mile pipeline that connects the new outlet works (PDC1A) at Pueblo Dam to JPS and the Pueblo West Pump Station.
Focus: Performing final testing and inspections and completing administrative closeout activities in preparation for ownership transfer to US Bureau of Reclamation